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FROM AMBASSADOR RONALD L. SCHLICHER, TO THE MEMBERS OF
CODEL SIRES. ATHENS FOR CODEL CONTROL OFFICER

E.O. 12958: N/A

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SUBJECT: WELCOME TO CYPRUS, CODEL SIRES

11. (SBU) Welcome to Cyprus, Representative Sires, my home since December 2005 and an island whose complexity belies its small size. We have crafted a program that contains calls on President Tassos Papadopoulos and other high ranking Republic of Cyprus officials, contact with both Turkish Cypriot (T/C) and Greek Cypriot (G/C) opinion leaders, and a visit to the Buffer Zone that so sadly has divided this island since 1974.

Our goal is to see you depart Cyprus cognizant of the challenges it faces, but also of the contributions it can (and does) make in areas of U.S. interest, such as counter-terrorism.

12. (SBU) Passing briefly through the schedule, you first visit the historic St. Mamas Orthodox Church in Morphou. Once threatened by neglect, elements of St. Mamas have been returned to their 16th century grandeur thanks to a USAID-sponsored conservation project, a centerpiece in the Mission's effort to preserve and protect the island's cultural and religious monuments for the benefit of all Cypriots. Day 1 concludes with a reception at my official residence; invitees include political, religious, business and cultural leaders from both communities. The following morning, I and select members of my senior staff -- the Country Team -- will provide you a Cyprus snapshot and discuss Mission goals and our programs to reach them. Your first call is on House Leader and current presidential candidate Dimitris Christofias, whom I find warm but guarded in his discourse. With elections just three months off, Christofias may attempt to "sell" you on his candidacy. With all candidates, however, we suggest you repeat our mantra that the United States has no favorite in the February 2008 race.

13. (SBU) A courtesy call on Papadopoulos follows, with the President later hosting you for lunch. The government's efforts to reinvigorate UN-led Cyprus Problem negotiations will top his talking points, although he likely will raise improved bilateral coordination, especially in security matters, occurring on his watch. Commerce Minister Antonis Michaelides, with responsibility over energy matters, receives you next; we expect him to promote his plans to expand our trade and commercial relationship. Before the evening concludes at the 232nd Marine Corps Birthday Ball, you will engage Cypriot legislators serving on the Parliamentary Foreign Affairs Committee.

14. (SBU) Foreign Minister Erato Marcoullis will host a working breakfast on December 1. Cypriots take seriously their outreach to the United States Congress, and Marcoullis, a former ambassador in Washington, knows and handles this task well. She likely will concentrate on the Cyprus Problem and Cyprus's desire to play a larger role in the Middle East, although the question of Kosovo might also come up. Your

stay concludes with a UN-led tour of the Buffer Zone in old Nicosia. Threading your way through disputed territory still peppered with observation posts and nervous conscripts, this surreal walk backwards in time reminds us that Cyprus's conflict is by no means frozen. Speaking on behalf of the entire Embassy Nicosia team, we look forward to your visit and will endeavor to make it productive and enjoyable.

The Cyprus Problem: All Roads Lead to Rome

15. (SBU) Taxi drivers, barbers, shop clerks -- to say nothing of politicians -- have strong opinions on the Cyprus Problem, the de facto division of the island since the violent conflict of 1974. All will share their thoughts at the drop of a hat, and I can think of no country where a single issue so dominates. Space limitations preclude me from offering even the briefest of summaries; I can only offer that, for every compelling point made in one community, there exists a similarly justifiable counterpoint in the other. To illustrate, Greek Cypriots call Turkey's military intervention an invasion and continuing occupation of sovereign Republic of Cyprus (RoC) territory, while Turkish Cypriots classify it a peace operation undertaken to prevent their community's annihilation at the hands of G/Cs. We think that both communities would be better served by focusing on a common future, rather than re-fighting yesterday's battles.

16. (SBU) U.S. involvement to mitigate damages from the conflict and effect the island's eventual reunification began almost before the smoke cleared in August 1974. From feeding and housing refugees early on, our efforts morphed into infrastructure construction and later, fostering bi-communal

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cooperation. While the United Nations has directed most Cyprus Problem settlement efforts, all have featured some level of U.S. backing. The last, known colloquially as the Annan Plan after then-UN Secretary General Kofi Annan, culminated in April 2004 simultaneous referenda that saw two of three T/C voters cast "YES" ballots but three of four Greek Cypriots vote "OXI" (no). In his subsequent report to the Security Council -- which never became "official," owing to a rare Russian veto -- Annan urged the international community to end the economic, social, and cultural isolation of Turkish Cypriots, since they had cast their lot for reunification. U.S. policy since 2004 has followed suit: while we have not and will not recognize the breakaway "Turkish Republic of Northern Cyprus," we do maintain close contacts with leaders of the T/C community, attempt to engage them on matters of common concern, and are working to improve the north's economic performance in the hopes of reducing the final cost on Greek Cypriots of a final Cyprus settlement.

17. (SBU) For two-plus years after the failed referenda, leaders in both communities alternated silent treatments with petty sniping, and hopes grew dim for a re-start of negotiations. UN Political Under Secretary Ibrahim Gambari therefore deserves major kudos for convincing President Papadopoulos and "TRNC President" Mehmet Ali Talat in July 2006 to ink a framework arrangement, the "Gambari" or "July 8" Agreement. The deal committed the sides to ending the unhelpful "blame game," enacting confidence-building measures, and reunifying the island under a bi-zonal, bi-communal model, while also stipulating a process in which committees and working groups would form to tackle day-to-day life issues and final settlement matters. Seventeen months after Gambari's departure, however, not a single committee or working group meeting has taken place, the "blame game" remains de rigueur, and the likelihood that full-fledged settlement talks will recommence anytime soon seems slim.

18. (SBU) Significant movement on July 8 or the broader Cyprus Problem looks unattainable before the RoC elections in

February 2008. The period after the vote holds great promise, however, regardless of who emerges victorious. International community leaders, among them Department of State Undersecretary Nicholas Burns, have urged the United Nations to re-engage fully in 2008, perhaps by naming a UN special envoy to jump-start the negotiations. I am convinced that every day that passes makes cracking this nut that much harder. And solve the problem we must: the continuing division incurs great costs, both real and political, for the United States. Our contributions to the 43 year-old UN peacekeeping mission run high in the millions. Disagreements over differing settlement tactics harm our bilateral relationship. And Cyprus Problem fallout exacerbates tensions between NATO allies Greece and Cyprus, complicates Ankara's accession to the EU, and undercuts EU-NATO cooperation in hotspots like Afghanistan and the Balkans. It is not just the island's problem.

Elections 2008: A Long, Strange Trip It's Been

¶10. (SBU) President Tassos Papadopoulos won election in February 2003 with support from his own DIKO party, EDEK, and AKEL. This ideologically-incongruent alliance -- centrist/nationalist best describes DIKO, while AKEL is Europe's largest per capita Communist party -- nonetheless held strong for four-plus years, with Papadopoulos dominating CyProb policy and AKEL focusing on domestic and societal issues. Most considered the President's 2008 re-election a fait accompli, even after opposition DISY, traditionally a near-equal to AKEL in electoral strength, put forward popular former Foreign Minister Ioannis Kasoulides as its standard-bearer this spring.

¶11. (SBU) By June, however, cracks in the alliance had become visible. Insiders claimed that AKEL Secretary General Dimitris Christofias was becoming ever more uncomfortable with Papadopoulos's hard-line Cyprus Problem tactics, which he considered counterproductive. So, too, were AKEL's rank-and-file, who historically enjoyed closer cross-Green line ties than supporters of other organizations. Party leaders were bombarded by polling and anecdotal evidence portraying the AKEL SG as Cyprus's most popular politician. If AKEL ever were to capitalize on its status as the island's preeminent political force, conventional wisdom offered, this was it. The President's camp drew the final straw in June when it announced, apparently without having consulted AKEL, that Papadopoulos would represent the alliance in 2008.

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Within three weeks, a scorned Christofias had gone before his party congress, received a mandate to run if he so chose, and declared his independent candidacy.

¶12. (SBU) Papadopoulos will not repeat the first-round runaway win of 2003, that is certain. While all polls still show him leading, just four to seven points separate the President from third-place Kasoulides, and two recent polls show Christofias winning the second-round runoff. This election constitutes a perfect venue for Greek Cypriots to debate the candidates' alternative visions for the future, whether over Cyprus Problem strategies tactics, energy and water usage, or tax matters -- traditional campaign grist. Regrettably, however, the contenders are looking backwards, not forwards, with the Annan Plan and who-voted-how continuing to dominate. So far, the United States and Cyprus's relations with Washington have not surfaced as campaign issues; by professing our neutrality at every bend, we intend to keep it that way.

Counter-Terrorism Cooperation: In General, Trend Points Up

¶13. (SBU) Cyprus's location at the crossroads of three

continents and its historically close ties with Eastern Europe and the Balkans make it especially vulnerable to use as a transit point for the smuggling of weapons, people, and money. RoC legislation on arms brokering, evidence, and intelligence collection is antiquated, limiting the government's ability to counter threats. Even worse is the situation in the Turkish Cypriot-administered areas, where the lack of C-T infrastructure, expertise, and legislation leaves authorities unable to confront money laundering/terrorism finance, weapons proliferation, and general smuggling. Given the porosity of the Green Line separating the communities, the north of Cyprus represents a potential target of opportunity for terrorists seeking entry into European Union territory.

¶14. (SBU) Cognizant of the threat, Cyprus takes a clear stand against international terrorism and is supportive of U.S. C-T efforts. The government continues to allow blanket overflight and landing rights to U.S. military aircraft supporting operations in Iraq and Afghanistan, for example. Cyprus is a party to all relevant UN conventions on terrorism, generally supports international efforts to block and freeze terrorist assets, has implemented Financial Action Task Force (FATF) recommendations, and conforms to EU C-T directives. Additionally, it was the first EU member state to sign a shipboarding agreement with the United States under the auspices of the Proliferation Security Initiative Agreement (PSI), and has cooperated recently to interdict suspect vessels.

¶15. (SBU) Our countries also collaborate on money laundering and terrorism finance (ML/TF) issues. In the area administered by Turkish Cypriots, however, issues of status and recognition restrict the ability of T/C authorities to cooperate fully on C-T. The "TRNC" cannot sign treaties, UN conventions, or other international agreements. Moreover, it lacks the legal and institutional framework necessary to combat ML/TF effectively. Within these limitations and with USAID technical assistance, T/C leaders have cooperated with the United States in pursuing specific C/T objectives, however, and have improved their abilities in this critical field.

¶16. (SBU) Kurdish-origin communities exist on both sides of the Green Line. Media report that the Kurdish Workers' Party (PKK) maintains a presence island-wide, using the island as a fundraising, R&R, and transit point. The government maintains, however, that it is fulfilling all responsibilities with respect to the EU's designation of the PKK as a terrorist organization. Turkish and Turkish Cypriot contacts believe that the large troop presence in the north acts as a significant deterrent to open PKK activity there, and both the RoC and authorities in the north believe there is little risk the terrorist group will conduct operations on the island.

Balkans: Favors Stability, Fears Separatism

¶17. (SBU) Cyprus, like Greece, maintains close relations with fellow Orthodox nations like Serbia, a fact that colors its Western Balkans policies. During NATO's 1999 Kosovo

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campaign, the same ugly, pro-Milosevic demonstrations which wracked Athens plagued Nicosia as well, resulting in minor damage to this Embassy. On Kosovo, Cyprus supported the 2006-07 efforts of UN envoy and former Finnish President Marti Ahtisaari to broker an agreement between Pristina and Belgrade, but regretted Ahtisaari's decision to suspend talks last spring with the parties still miles apart. Foreign Ministry officials believe that negotiations should continue in order to find an arrangement that satisfies both the Kosovars' demands to manage their own affairs and Serbia's insistence that the international community respect and

ensure its territorial integrity.

¶18. (SBU) Cyprus publicly opposes a Kosovar unilateral declaration of independence (UDI) should the follow-up "Troika" (U.S., EU, Russia) talks prove unable to resolve Kosovo's final status -- an outcome most experts predict. Underpinning the Cypriot position is their belief that independence for Pristina, even under international supervision (as Ahtisaari's plan stipulated), sets a dangerous precedent for countries battling ethnic and/or regional separatism. After the international community partitions Serbia it will divide Cyprus, their theory goes. Our best efforts to convince the government that Kosovo's case is sui generis were generally effective over the last two years, but are fraying as Kosovo nears the point of decision. On another "hot" Balkans issue -- the uptick in tension between Greece and Macedonia over the latter's constitutional name, and the possibility Greece will veto Macedonia's eventual EU and NATO membership as a result -- we can expect Cyprus to back Athens solidly.

Energy Security: Possibly a Role

¶19. (SBU) Its island geography and small-market status leaves Cyprus out of the latest "Great Game" of pipeline-building and alliance-forming. In general, energy security issues garner little press play or official notice here. Oil and gas did dominate newscasts earlier this year, however, as the RoC initiated the tender process for seabed blocks potentially containing recoverable reserves. The government's actions drew an immediate, threatening response from Turkey. The RoC had no right to delineate Exclusive Economic Zones with Egypt and Lebanon, Ankara argued, since the "Greek Cypriot government" did not speak for all the island's residents -- Turkish Cypriots, too, deserved a slice of the natural resource pie.

¶20. (SBU) We were unable to remain outside the fray, unfortunately. Asked to comment publicly, I voiced our conviction that the Republic enjoyed a sovereign right to conclude treaties and agreements with its neighbors. Both communities should seek opportunities for rapprochement in the potential energy windfall, I added, not further grounds for discord. The first bidding round disappointed government circles, as none of the multinational biggies bid on the plots (but one mid-sized U.S. firm did). A second round, containing more attractive blocks, is scheduled for shortly before the presidential elections in early 2008.

¶21. (SBU) American companies have scored notable energy sector successes in Cyprus, in part due to Embassy efforts. In 2006, General Electric and its partners won a power station tender worth \$250 million. With the RoC facing EU demands to move from environmentally-unfriendly oil-based electricity generation to cleaner methods, U.S. companies selling "green" solutions like wind farms and solar power would seem to benefit. I have made commercial advocacy a top strategic goal of this Mission, and we are actively pressing for further market liberalization and expanded opportunities for non-EU firms.

SCHLICHER